Department of Energy
Savannah River Operations Office
P.O. Box A
Aiken, South Carolina 29802

DEC 0 8 1998

Mr. Ambrose L. Schwallie, President
Westinghouse Savannah River Company
Aiken, SC 29808

Dear Mr. Schwallie:

SUBJECT: Award Fee Determination for April 1, 1998, through September 30, 1998, Award Fee Period 4 of Contract Number DE-AC09-96SR18500

I have completed my evaluation of the Westinghouse Savannah River Company (WSRC) contract performance for Award Fee Period 4 and determined your award fee as described herein. There were many Period 4 achievements in the established work scope. Many of these achievements were associated with safely accomplishing critical mission requirements such as:

- Fulfilling environmental regulatory commitments in remediation and waste management activities
- Innovation and effective technology deployment in Environmental Restoration
- High Level Waste Operations
- Commencement of Replacement High Level Waste Evaporator Integrated Testing
- Meeting Department of Defense Tritium Shipment requirements
- Tritium Facility Load Line 6 Startup
- Tritium Facility Environmental Conditioning Startup
- Completion of bagless repackaging of Savannah River Site (SRS) plutonium
- Startup of Phase II H-Canyon operation
- Retrieval, Vent and Purge of Transuranic Waste Drums
- De-inventory of Heavy Water from P-Reactor
- Effective completion of preparation for sale of Heavy Water
- Decommissioning of C- and P-Area power houses, as well as other miscellaneous buildings
- Receipt, unloading, and storage of 11 foreign research reactor, 36 domestic research reactor, and 13 interaite fuel shipping casks

Overall, when viewed in the context of the Department of Energy Savannah River (DOE-SR) focus areas of Safety; Technical Capability and Performance; Community, State, and Regulator Relationships; Cost-Effectiveness; and Corporate Perspective, WSRC continued its high level of performance. The Tritium Program received a near perfect rating for outstanding performance in all aspects of operations.

SAFETY

Conducting work safely is the first priority at SRS. During this period you continued to demonstrate your commitment to safety with excellent construction safety performance, maturation of the Facility Evaluation Board reviews using the principles of Integrated Safety

Management, and integration of radiological controls into strategic and work planning activities. A yearlong enforcement action on bioassay program deficiencies was closed this period in addition to the development of related innovative program improvements which appear to address the root cause of the deficiencies. Management initiatives to further reduce injury and illness rates, and to incorporate new behavior-based safety approaches are commendable. 'Best in Class' management initiatives to advance Integrated Safety Management were also evident.

Your continued management emphasis on improvements in the use of procedures in facilities, worker involvement in work planning, implementation of hazardous energy controls, implementation of an integrated chemical management program, planning and execution of the Industrial Hygiene Program, communication of lessons learned between divisions, integration of radiological engineering into work planning, and quality and timeliness of authorization basis documents will help assure the Site continues to excel in safety performance.

TECHNICAL CAPABILITY AND PERFORMANCE

Critical mission goals were met through the combined efforts of both line and support organizations. Core competencies were maintained even though staffing levels are lower than historical norms.

Three noteworthy achievements during this period included safely meeting critical mission requirements as discussed earlier, maintenance of workforce technical capabilities, and initiation of a systems engineering approach to complex activities.

Due in large part to your demonstrated maintenance of workforce technical capabilities, SRS received a DOE achievement award in pollution prevention for its innovative use of performance-based contract incentives and was awarded a leadership role in DOE's pollution prevention in design effort. Additionally, many of the WSRC tritium engineers and scientists are recognized as experts in their areas and are called on to provide support within the DOE complex and worldwide, such as for the International Atomic Energy Agency and the Los Alamos National Laboratory.

With respect to initiation of a systems engineering approach, the salt disposition alternatives system engineering team aggressively pursued the identification and evaluation of technical alternatives for high level waste salt disposition. Work completed thus far provides a strong technical foundation for the final selection of an alternative and a smooth transition into the implementation phase of the project. This approach was similarly used for the Americium-Curium solution stabilization effort and helped put this important project back on a path for success.

One area for improvement is line verification that tasks are ready to proceed. Program delays were experienced in some activities, such as tank 8 rewetting activities, due to problems in accurately assessing task readiness. Continued attention is needed in the area of work scope definition, identification of requirements and validation of readiness.

COMMUNITY AND REGULATOR RELATIONSHIPS

All regulatory commitments were met on or ahead of schedule. An independent review team led

by the agency's Chief Financial Officer noted that the SRS workscope associated with meeting regulatory commitments was appropriate. Various evaluations and inspections indicated the presence of a strong compliance program. The comparative strength of the WSRC environmental program and working relationships with regulatory officials and other stakeholders was validated during recent cross site meetings. Additionally, DOE benefited from WSRC's involvement with Environmental Protection Agency rulemakers during promulgation of new Federal regulations for managing polychlorinated biphenyls (PCBs). These factors indicated that a strong environmental compliance program exists.

The strong community support for ongoing and new mission assignments was reflected in Energy Secretary Bill Richardson's August visit to the Site and the Central Savannah River Area (CSRA). A 1998 study by the Pacific Northwest National Laboratory concluded that the SRS Citizens Advisory Board may be viewed as a prototype for community dialogue. A DOE-Headquarters evaluation of its various advisory boards concluded that others should use SRS as a benchmark, which is a direct result of your efforts. A contract with Spartan Communications and the local American Broadcasting Company affiliate provides early weather warning radar to citizens throughout the CSRA. You assisted Allendale County in the aftermath of a disastrous fire, assisted the community of Edgefield to recover from severe tornado damage, helped three businesses relocate to the region, and helped twelve businesses create more than 200 jobs. In addition, WSRC met or exceeded it socio-economic goals for the year. Maintaining open and positive working relationships with the community is extremely important, and you and WSRC staff deserve acknowledgement for personal and professional commitment to this vital focus area.

Substantial and sustained improvement in offsite notification to operational events is evident. Your efforts in this area are notable and important to continued awareness and public confidence in SRS operations. During this period, state and county public safety officials continued to express satisfaction with the dialogue established by WSRC to more routinely explain plant operating conditions. During the next period, WSRC should also focus on providing proactive public affairs support to the Site and DOE, and on developing more opportunities for publicizing site accomplishments. Throughout these efforts, including congressional and intergovernmental activities, it is important that you assure early coordination with DOE-SR.

COST EFFECTIVENESS

Contract Management: Your productivity and cost effectiveness (PACE) program showed success and allowed the Site to meet increased customer performance expectations with reduced resources. You executed substantial Annual Operational Plan scope and continued progress in cleanup and materials stabilization with lower resource levels while maintaining the best safety record in the DOE complex. However, the end-of-year carryover was substantially less than targeted and this increases the difficulty to execute the FY99 program.

Many cost-saving initiatives showed agility and flexibility. Three grouts were developed that can improve performance and reduce waste tank closure costs. Approximately $9.6 million in scope enhancements were achieved while executing the FY98 Environmental Restoration program. Removing the heavy water inventory from P-Area will save $600,000 annually starting in FY99, and the 400-Area shutdown plus dismantlement and removal of the C-Area and

P-Area powerhouses and Building 704-R will minimize costs. Transition of analytical laboratory support from commercial sources plus the consolidation of laboratory operations will save $1 million over the next 2 years. The approach taken to implement the Work Management Center is considered a DOE benchmark. Other examples of cost-conscious performance were the validation of mission-essential systems for Year 2000 compliance, the establishment of a new standard for the DOE weapons production complex with Vision 2010, and site-wide testing for maintenance re-engineering (PASSPORT).

Project Management: Consistent with my expressed expectations of last period, you have begun implementation of a project management improvement plan, which, if effectively done, should result in higher confidence of project accomplishment on time and within budget with validated cost and schedule baselines. In many cases, such as the Actinide Packaging and Storage Facility, the results of these improvement and validation efforts have brought to light past problems that have resulted in increases in schedules and estimated costs. This poses significant challenges to the Site's current and outyear budgets. These efforts also highlight the importance of improving integration of various safety analyses (SAR, FHA, VA), and management of organizational and functional interfaces associated with projects. I encourage your continued personal involvement to assure improvement in all aspects of project management. This is extremely important to the Site for ongoing as well as new mission projects, and to earning a "Best in Class" reputation for the Site.

In Award Fee Period 5, my evaluation of project management will consider how comprehensive and effective your project management improvement efforts have been. Additionally, I will evaluate how lessons learned from improved management of complex high cost projects are applied to other less visible activities such as the Tank 8 rewetting effort and canyon exhaust upgrades project. There is significant benefit with respect to cost and schedule performance that can be gained from effective implementation of lessons learned from recent project experiences.

CORPORATE PERSPECTIVE

Examples of successful performance requiring sitewide cooperation and integration were noted this period including the Year 2000 information technology upgrade initiative and salt disposition alternative evaluation. Also, I am encouraged by your direct support and involvement in establishing the DOE/WSRC Leadership Forum and the DOE/WSRC Integration Committee to improve customer/supplier communication and Site operations

In addition to integrating activities across the Site, your organization demonstrated itself as a strong and credible team player across the DOE Complex and Government. This was most notably evidenced in your excellent support of the Environmental Management Integration effort, planning and scheduling and receipt of off-site fuel, support of the DOE nuclear weapons complex, assistance to the nuclear materials stewardship program, significant work for others activity, and support and cooperation with the International Atomic Energy Agency and State Department relative to the Russian Federation Trilateral Initiative and Russian Nuclear Cities Initiative. You exceeded all expectations in developing and implementing the Local Area Network Material Accountability System (LANMAS) at SRS as well as at Rocky Flats while supporting similar activities at four other DOE sites. The LANMAS development effort represents an outstanding example of complex-wide teamwork and leadership. Your continued

personal involvement in assuring implementation of computer system and software changes that will fully and responsively resolve Year 2000 information technology issues is vital in the upcoming period.

As a result of this evaluation of each of the award fee program areas, WSRC's overall performance is rated as "Exceeded Expectations," and your earned fee is $22,505,200. You also earned $1,710,000 for special emphasis areas associated with the Year 2000 information technology upgrade initiative and technology enhancement, recognition, and transfer objectives.

As a final note, your performance against Performance Based Incentives was also validated as indicated in the enclosed Performance Based Incentive Summary. During this period, you earned and were paid an additional $11,299,000, in fee for specific Performance Based Incentive accomplishments.

DOE Lead Evaluators will be discussing their evaluations in detail with their respective WSRC counterparts. The WSRC team can be proud of their many accomplishments over this period. Thank you for your efforts and commitment to safety and continuous improvement in the operation of the Savannah River Site.

Sincerely,

Greg Rudy
Manager

SB-99-108

Enclosures:
(1) Award Fee Scoring
(2) Performance Based Incentive Summary

cc w/encl:
J. J. Buggy, WSRC

WSRC Award Fee Adjective Scoring
(April 1, 1998 – September 30, 1998)

Functions	Adjective Rating	Award Fee Available
High Level Waste	Exceeded Expectations	$3,775,000
Materials Stabilization	Exceeded Expectations	9,350,000
Solid Waste	Exceeded Expectations	1,500,000
Environmental Restoration	Exceeded Expectations	1,600,000
Tritium	Substantially Exceeded Expectations	1,550,000
General Site Management	Exceeded Expectations	6,500,000
		$24,275,000
Special Emphasis Areas – Year 2000 computer system transition		500,000
Special Emphasis Areas – Technology enhancement, recognition, and transfer		1,500,000
Carryover – contingent on improvement in the General Site Management score from period 3 and resolution of CRIP available		2,300,000
TOTAL AVAILABLE FEE FOR PERIOD 4		$28,575,000

	Award Fee Earned
Award fee earned	$20,536,400
Carryover fee earned	1,968,800
Fee earned other than special emphasis areas	$22,505,200
Special Emphasis Areas fee earned	1,710,000
TOTAL AWARD FEE EARNED	$24,215,200

Enclosure 1

Performance Based Incentive Summary
For the Period Ending September 30, 1998

No	*FY98 Performance Based Incentive*	*Available*	*Paid Period 4*
1	Produce canisters in DWPF – Payments start at 100 and go to 250	* $5,700,000	$5,700,000
2	Startup In-Tank Precipitation processing and transfer – Complete one batch and start a second batch by 9/30/98	Dispositioned in Period 3	N/A
3	Incinerate 2.7 million pounds of waste at CIF - $.4 per pound for 1 million pounds after 1.7 million pound AOP level is met	300,000	0
4	Spent Nuclear Fuel alternate technology - develop performance requirements by 7/31/98	750,000	750,000
5	Sale of heavy water - earn from 3 to 5% of the sales price for finding a buyer	* ~~3,000,000~~	N/A
6	Cask processing program – unload casks and reduce the time the casks stay on site	* ~~1,500,000~~ 800,000	800,000
7	Accomplish ER regulatory work scope beyond the AOP target level	1,900,000	1,349,000
8	Increase Low Level Waste processing efficiency	500,000	0
9	Pollution Prevention through contamination area rollbacks	800,000	800,000
10	Accelerated Completion and Qualification of Loading Line 6 for War Reserve (WR) Loading of ACORN reservoirs – Loading before 6/11/98	300,000	300,000
11	Deactivating Building 232-H on an accelerated schedule	400,000	400,000
12	Development and implementation of a Local Area Network Material Accounting System for nuclear materials	1,000,000	1,000,000
	Total available and earned in period 4	$12,850,000	$11,299,000

* PBI 1 had a total value of $6 million of which $300 thousand was earned and paid in Period 3.
PBI 3 was dropped because of changes beyond the Contractor's control.
PBI 6 was reduced from $1.5 million to $800 thousand because of changes in the number of casks scheduled to be received at the site.

Enclosure 2